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USDOC FOR 532/OEA/LHINES/DFARROW
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR WILLIAM ZARIT
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

SIPDIS

E.O. 12958: N/A

TAGS: BMGT BEXP HK ETRD ETTC
SUBJECT: EXTRANCHECK: PRE-LICENSE CHECK: CONCORD CARNIVAL HOLDINGS
LIMITED

REF: A) USDOC 06490

1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

¶2. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a pre-license check (PLC) of Concord Carnival Holdings Limited with a registered address of 807 Fortress Tower, 250 King's Road, North Point Hong Kong (Concord Carnival). The items in question are 158 SRAM memory arrays (Arrays), valued at USD 29,704. The export control classification number (ECCN) for these items is 3A001 and, according to reftel A, are controlled for national security (NS) and nuclear nonproliferation (NP) reasons. The license applicant is Austin Semiconductor Inc., of Austin, Texas. The Hong Kong purchaser of the items is AddCom Solution Limited (AddCom) while Concord Carnival is listed on the license application as the ultimate consignee. According to documentation provided to the ECO by AddCom, the end-user of the items is the Shanghai Xinwei Electronic Equipment Research Institute, a division of SAST, in Shanghai (SAST).

¶3. According to the Hong Kong Companies Registry, Concord Carnival has been in existence since June 1997 and has only nominal paid-in capital. Directors of Concord Carnival are listed as mainland Chinese national Peng, Xingxing as well as Australian nationals Dong, Fang Ming and Dong, Fang Ying.

¶4. The ECO attempted to arrange a meeting with Jane Qian, the General Manager of Concord Carnival by calling the company's Hong Kong phone number. That number is actually the phone number of an accounting firm that acts as Concord Carnival's registered office. The accounting firm (discussed below) provided a contact number for Ms. Qian that turned out to be a mainland China mobile phone number. When contacted, Ms. Qian stated that she typically works from Shanghai and would likely not be in Hong Kong for some time and would therefore not be able to meet the ECO. Ms. Qian subsequently provided further background information about Concord Carnival by e-mail. In addition, she encouraged the ECO to meet with AddCom, stating that this company likewise knew all there was to know about the transaction. Ms. Qian stated that Concord Carnival does not have a physical presence in Hong Kong (aside from its registered address noted above). It does not appear to have a web presence either.

¶5. According to the one page corporate description provided by Ms. Qian, Concord Carnival has been in business for over ten years. Its main business is in mainland China. Concord Carnival owns, as a partner, a 49% interest in Shanghai Tian Na Logistics Equipment Co. Ltd. The primary focus of this joint venture is to produce shopping carts. According to Ms. Qian, the joint venture has over 300

employees and turnover in 2006 was RMB 12 million. Additionally Concord Carnival's 100% owned mainland Chinese subsidiary Shanghai Ao Meng Co. Ltd. has seven employees and 2006 turnover was RMB 10 million. The company also acts as agent in import and export transactions mainly in the food, textile and electronics areas. According to Concord Carnival's corporate description, the company was authorized by SAST to obtain the Arrays on SAST's behalf. Concord Carnival has a three-year business relationship with SAST and has provided Souriau brand sockets and 3d-plus, Samsung and Atmel products to SAST in the past.

¶6. The ECO, accompanied by Commercial Officer, Brock Wilson, visited AddCom, Unit B7, 7/F, Shatin Industrial Building, 22-28 Wo Shui Street, New Territories, Hong Kong on July 25, 2007. AddCom Customer Service Representative, Ailey So represented AddCom at the meeting. AddCom's premises consist of a one-room office with two desks and some additional space for product shipments received by AddCom in Hong Kong. Ms. So was open and forthcoming about the transaction and the activities of AddCom. She stated that AddCom is an electronics trading and distribution company established in Singapore seven years ago with offices in Malaysia, Thailand, the Philippines, mainland China and Hong Kong. The Hong Kong office serves the Hong Kong and mainland China market and has been in existence for two years. Mainland Chinese customers involved in the consumer electronics field typically use AddCom's products. Ms. So stated that AddCom does not actually export any items itself but rather delivers items to the Hong Kong offices of companies that operate in the mainland or Addcom's customers come to it to pick up the items. Ms. So stated that AddCom operates in this way to avoid the difficulties associated with getting products through mainland Chinese customs. She stressed that AddCom's products are typically not very high tech and that, as a result, AddCom does not obtain licenses from Hong Kong TID (the Hong Kong export control agency). In the case of the items in question, Ms. So stated that AddCom is checking with TID to determine whether a license will be required to import them into Hong Kong.

¶7. The ECO provided Ms. So with detailed information concerning U.S. export control requirements related to items subject to U.S. jurisdiction (in particular, items AddCom receives from its U.S. suppliers). Ms. So stated that she was pleased to receive the materials, stressed that AddCom is keen to comply with export control rules, and indicated that she would provide the information to management at her corporate headquarters in Singapore.

¶8. When the conversation turned to the transaction at hand, Ms. So stated that this was the first time that AddCom had dealt with Concord Carnival. She stated that Concord Carnival had come to AddCom for the items because AddCom is Austin's authorized distributor in Hong Kong and mainland China. So knows little about Concord Carnival. She further stated that she anticipates that the transaction will involve shipment from the United States to AddCom in Hong Kong. AddCom, in turn, will deliver the items to Concord Carnival in Hong Kong. She expects that Concord Carnival will arrange for delivery to mainland China (though she stressed she has no specific information on this point).

¶9. According to the Hong Kong Companies Registry, AddCom has been in existence since August 2004. It has the Hong Kong equivalent of USD 5,000 in registered capital. Its Directors are listed as Singapore nationals Tan, Lee Kim Alison and Tan, Yew Mui Calvin.

¶10. On July 26, 2007, the ECO visited the registered offices of Concord Carnival at the address listed above and met with Elsie K. K. Cho of George Tso & Co., Certified Public Accountants. Ms. Cho stated that her company registered Concord Carnival in Hong Kong and maintains the registered corporate address of the company. She stated that she knows little of the activities of Concord Carnival and further that she believes Concord Carnival has no physical presence in Hong Kong.

¶11. All parties to the transaction cooperated with the PLC and provided the requested information (although Concord Carnival's representative could not meet within the 15-day time period allotted

for the PLC). Additionally, the ECO notes that it is not uncommon for transactions involving mainland companies to be structured so as to involve one or more trading company intermediaries. At the same time, the lack of a Hong Kong physical presence for Concord Carnival is a concern as is its apparent modest business activities. The ECO recommends that this PLC be considered Unfavorable.